



NORBERT C. RECHTIN
First Director of the Veterans Division

IN MEMORIAM

Following the passage of the Veteran's Bonus Law by the 1960 General Assembly, The Adjutant General, as ex-officio Administrator of the Bonus Law, realized the importance of selecting a highly qualified, competent individual with experience in both governmental administration and veteran's affairs to supervise the recently activated Veterans Division of the Department of Military Affairs. To serve as the first Director of this Division, Norbert C. Rechtin was appointed on 9 May 1960. Mr. Rechtin's outstanding experience in the areas of education, Civil Defense, Public Administration, and in the Veteran's Administration, eminently qualified him for this position. His work in the initial phases of this program, the development of the administrative organization, drafting regulations and procedures, contributed materially to the success of this program and the efficiency of its administration.

While enroute from his home to the Veterans Division on 9 March 1961, Mr. Rechtin was fatally injured in an automobile accident. His untimely death was a great loss to this Department and the Commonwealth. The fact that the Veterans Bonus Program continued successfully, according to the planned schedule, is a tribute to the organizational ability of Norbert Rechtin as well as to the loyalty and high esteem, which the employes he supervised held for his memory.

This report of the administration of the Kentucky Veterans Bonus is therefore dedicated to the memory of Norbert C. Rechtin whose personality, fairness and impartiality endeared him to all who worked with him. His untiring efforts and conscientious devotion to duty was in accord with the finest tradition of the Department of Military Affairs.

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Honorable Bert T. Combs Governor, Commonwealth of Kentucky

THE KENTUCKY VETERANS BONUS

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I. Introduction

On November 3, 1959, the voters of the Commonwealth of Kentucky approved the payment of a bonus to qualified veterans from this State or their beneficiaries. The bonus was to be awarded for service in four wars: the Spanish American War, World War I, World War II, and the Korean Conflict. As a result of this mandate, a total of \$126,573,196.00 was paid to 400,219 veterans and their beneficiares. This Report is an account of the legal basis, the administration, and the payment of the Kentucky Veterans Bonus.

Kentucky had never paid a veteran bonus, although the State has always been noted for its outstanding participation in the Nation's military activities. Kentucky did pay a pension to its Confederate veterans of the War Between The States. Confederate Veterans and their unremarried widows who met requirements of financial conditions, residence, and service were eligible for \$50 per month. Bosworth vs. Harp (154 Ky. 559, 157 S.W. 1084 45 L. R. A., N. S., 692)-upheld this act. Many legislative bills proposing a bonus had been introduced into the General Assembly, but it was not until 1958 that a bill was enacted which put the question of a bonus before the people. The electorate, by a majority of approximately 40,000, voted to pay a veterans bonus, to be financed by a retail sales tax. In accord with this mandate the 1960 General Assembly enacted the necessary legislation to provide for payment. A Special Session of the legislature later removed certain residence requirements and the Kentucky Court of Appeals subsequently upheld the bonus legislation.

Administration of the Kentucky Veterans Bonus was vested in The Adjutant General of the Commonwealth. A Veterans Division was activated in the Department of Military Affairs for this purpose. The law directed that the bonus be paid "as quickly as free from administrative delay and expense as may be consistent with provident stewardship of public monies." This Report is an account of that administration and stewardship.

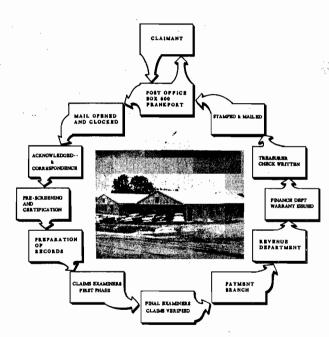
Payment of the bonus was an operation of unprecedented scope. No other State had attempted to pay simultaneously the veterans of four wars or their surviving beneficiaries. The bonus law was complex and detailed, but it could not possibly provide for every contingency or foresee every problem of policy. It was necessary

for the Administrator and his staff to promulgate regulations, develop detailed procedures, and to seek official legal interpretations on many points. In accordance with the law, problems of verification and eligibility were interpreted liberally, to ensure payment to all qualified persons. Adequate proofs were required, however, to ensure that standards of eligibility were met on all claims.

The Veterans Division was authorized by KRS 36.010 but had not been activated because all problems pertaining to Kentucky Veterans were handled by the Kentucky Disabled Ex-Service Men's Board. Upon passage of the Kentucky Veterans Bonus Law, Governor Combs by Executive order dated February 25, 1960, activated the Veterans Division to process bonus claims. The first check was mailed on April 26, 1961, after the legality of the bonus had been settled by the courts and it became possible to sell bonds to finance payment. The final check was mailed on July 31, 1963 and the Veterans Division completed the operations on September 30, 1963. During that period of three years and seven months, an administrative organization, unprecedented in Kentucky, was created. A staff was recruited, trained, then gradually phased out as the task neared completion. Regulations and procedures were developed to meet every foreseeable problem. A total of 415,770 claims were processed of which 400,219 were approved and paid. The whole complex administrative structure was finally terminated in an orderly manner with provisions for the preservation of essential records. It is the belief of those responsible for this operation that it was accomplished with optimum efficiency and with maximum regard for both the veterans and for the taxpayers.

To indicate the amount of administrative action required, it can be pointed out that only thirty percent of the claims could be processed as received. Seventy percent had to be returned to the applicant for further information, verified through a Federal Records Center, or both, before they could be processed for payment. As many as 83,744 claims were paid in a single month. Despite these problems, the average administrative cost per claim received was only \$2.97.

Of the total 415,770 claims processed, 16,876 were disapproved as not meeting the requirements of law. Of these claims, 5,056 were appealed and the action of the Administrator was reversed in 1,325 cases. A total of 368,507 claims were paid to veterans and 31,712 were paid to their beneficiaries. The average claim amounted to \$313.76. The total cost of the Kentucky Veterans Bonus payment was \$126,573,196.00. The total administrative cost was \$1,236,871.79.



BONUS PROCESS—Arrows follow a veteran's bonus claim through its course of careful checking. Each bonus had to be found correct at each station for the check to get to the claimant at the top. Small inset photo shows the warehouse building, located within the Boone National Guard Center in Frankfort, which was used by the Veterans Division.

II. Legal Basis of the Bonus

The 1958 Kentucky General Assembly enacted legislation submitting to the electorate the question of paying a bonus to certain qualified veterans. At the 1959 general election, the voters decisively endorsed the bonus. The 1960 Regular Session of the General Assembly passed the necessary enabling legislation and a Special Session later extended the bonus to Kentucky veterans now living out of the State. As could be expected with an issue involving expenditures of such magnitude, litigation followed each phase of legislation. The Kentucky Court of Appeals, in three decisions, upheld the bonus law, and a special federal court dismissed an attempt to hold the law unconstitutional. The first payments were made on April 26, 1961.

History of the Bonus

The payment of a bonus to veterans in recognition of patriotic service and sacrifice has been made by many states, throughout American history. Four states paid a bonus to veterans of the Spanish-American War; 21 states paid one to World War I veterans; 23 states to veterans of World War II; and 19 states paid a bonus to veterans of the Korean Conflict. Kentucky was not among these states.

Legislation calling for a bonus was introduced in the Kentucky General Assembly during the first legislative session following World War II and every session thereafter, until it was finally enacted in 1958. The measures considered during this decade embodied a variety of approaches to the constitutional and fiscal problems involved in paying a bonus, but they indicated a continuing and widespread interest in such payment. In 1956, for example, a bonus bill sponsored by more than half of the members of the House of Representatives passed that body by a vote of 77 to 2, but was not acted upon by the Senate.

1958 Bonus Act and 1959 Referendum

In 1958, more than a dozen separate bills proposing a bonus were introduced in the General Assembly. House Bill 154, which was sponsored by sixteen Representatives, passed the House by a vote of 80 to 5. This measure proposed to amend the Constitution to authorize payment of a bonus. The Senate substituted a com-



parable measure, Senate Bill 296, for the House Bill and passed it by a vote of 27 to 5. The Senate Bill then passed the House of Representatives by a vote of 76 to 4 and became law. (c. 48, Acts of 1958.)

This bill submitted to the voters the following question: "Are you in favor of the issuance and sale of bonds to pay a bonus to veterans of the Spanish-American War, World War I, World War II, and the Korean Conflict, which bonds shall be paid from the proceeds of a tax levied upon retail sales!" At the election of November 3, 1959, the electorate endorsed the bonus proposed by a vote of 321,462 to 283,902. The Court of Appeals upheld the Act, but ruled that it was not a constitutional amendment, but a referendum on the propriety of exceeding the constitutional debt limit.

1960 Enabling Act

The Court ruling had not yet come down at the time the next General Assembly convened in January, 1960. Governor Bert Combs, in his State of the Commonwealth message, declared that the legislature had "a moral obligation to enact legislation providing for the payment of a veterans' bonus, and to provide necessary taxes to finance such payment," as a result of the referendum. A major task thus devolved upon the 1960 General Assembly, because the 1958 Act had set only the most general standards for the bonus.

House Bill 85 was introduced the day after the Court of Appeals upheld the bonus. It was sponsored by eight legislators. In general, the bill called for payments based on the number of months of service, not to exceed \$300 for domestic and \$500 for overseas service. Payments were restricted to qualified veterans and their beneficiaries. Among other qualifications, the veteran must have been a resident of Kentucky on November 3, 1959, the date of the referendum. House Bill 85 passed the House by a vote of 78 to 0, with amendments, and passed the Senate 24 to 13. It was signed by the Governor on February 20 and became law. (c. 15, Acts of 1960). Detailed provisions of the Act are described later in this report.

Amendment of Residence Requirements

Controversy had arisen over those provisions of the Act which limited payment to persons who were residents of Kentucky on November 3, 1959. Out-of-state veterans organized to protest their exclusion from the bonus, and many groups within the Commonwealth argued that it was unjust. Studies were made by the Veterans Division and the Legislative Research Commission to estimate the number of out-of-state veterans and the probable cost of extending the bonus to include them. The Court of Appeals, in the

second bonus case, upheld the residence requirements, although three judges dissented from that part of the opinion which excluded non-resident veterans.

Governor Combs called a Special Session of the General Assembly to consider amending the Bonus Act to extend benefits to non-residents. The Special Session convened on September, 1960. It repealed the requirement for November 3, 1959, residence. (c. 1, Acts of 1960, 1st Ex. Session). This enactment was signed by the Governor and subsequently upheld by the Court of Appeals.

Extension of Filing Deadline

Final legislative action on the bonus was taken by the 1962 General Assembly. The deadline for filing originally had been set at midnight, December 31, 1961. The delays occasioned by litigation and the extension to nonresident veterans made an extension advisable. House Bill 23 of the 1962 legislative Session amended the final filing date to June 30, 1962, and authorized the Governor, upon recommendation of the Adjutant General, to extend the date up to midnight December 31, 1962. (c. 191, Acts of 1962). It also amended provisions for dissolving the Board of Review when its work should be completed and deleted provisions for full-time service by the Chairman and Secretary of the Board.

The Bonus Act, as amended, constitutes Chapter 40 of the Kentucky Revised Statutes. While it is lengthy and detailed in many respects, it left many issues to administrative determination and was supplemented by a series of administrative regulations. It was also further defined by judicial construction.

Summary of Judicial Construction

The series of Court of Appeals decisions concerning the bonus involved a number of issues. The major holdings are summarized briefly here.

The first case, Stovall vs. Gartrell [332 S.W. 2d 256 1960] concerned the validity of the 1958 Act. Citing cases from other jurisdictions, the Court held that reasonable bonus legislation was a proper public purpose and did not violate either the federal or the State constitution. It held that granting a bonus to veterans did not violate United States constitutional provisions delegating to Congress exclusive power to raise and support armies. It was argued that the Act violated a constitutional prohibition against legislators voting on bills in which they had a personal or private interest, since many legislators would receive the bonus. The Court found, however,

that the Act was "nothing more than enabling legislation. It sought a vote of the people on the propriety of incurring an indebtedness to pay a veterans' bonus, but no personal or private rights were acquired by anyone thereunder."

Questions were raised concerning the form and language of the amendment proposed by the legislature. The Court of Appeals held that the Act, "though ostensibly proposing a constitutional amendment, did not either in fact or in law, from the standpoint of substance, possess such character." The Court held, however, that the Act could be given full effect as a proper legislative enactment under Section 50 of the Kentucky Constitution, which authorizes a referendum on incurring indebtedness beyond that prescribed by the Constitution.

The language appearing on the ballot had been included in the Act, rather than framed by the Attorney General, as is required for constitutional amendments. The Court stated that the objection to this omission was not valid, since a referendum was involved, rather than an amendment.

The Court indicated that the language of the referendum limited bonus payments to veterans and to the immediate dependents of deceased veterans, and that the voters had not approved payment to any other classes of persons. The Court noted that the Act had not been submitted to the Governor for his approval, as is required for legislation, but concluded that this would only constitute "a procedural defect not affecting the presentation of a proper question to the electorate. Such deficiency, if it existed, was cured by the vote of the people, which is paramount to and supersedes any approval by the executive branch."

The second case, Watk is V. State Property and Building Commission, [42 S.W. 2d 511 (1960)], upheld the 1960 Act, and settled a number of questions. It was held that the inclusion of four wars was reasonable, as was the differential in payments for service inside and outside the continental limits of the United States. Residence requirements were reviewed and the Court held that: "Since the payment of a veterans bonus is to rehabilitate, in a broad sense, present citizens of Kentucky, we think the General Assembly did not act unreasonably in generally classifying or confining qualified veterans to those who were residents of the State at the time the electorate approved the payment of a bonus. Substantially all legislation involves classification of some sort, and the classification here is reasonably relevant to the purposes of the Act." Three judges

dissented from this portion of the decision. The Court further held that the classification, once established, must be followed, and therefore invalidated a Section of the Act which provided for payments to nonresident veterans living in towns, parts of which lie in Kentucky.

The Court reviewed the provision that a claimant, whose application was denied, could have no recourse to the courts. It noted that a Board of Review had been provided as a safeguard, and that "the courts are always available for relief from the arbitrary exercise of power." It upheld the portions of the Act providing for financing the bonus, finding that the Act "properly authorized a debt payable from a general retail sales tax which the full faith and honor of the Commonwealth is pledged to keep in effect in sufficient rates of amounts, and for a sufficient length of time, to pay the principal and interest on the bonds when due, and which retail sales tax revenue shall be subject to a first and paramount lien to the extent required for that purpose."

The final case, Grise vs. Combs, [342 S.W. 2d 680, (1961)], restated that the bonus did not violate federal or state constitutions, and held that it could be paid to nonresident veterans. The decision included a resume of the previous judgments and concluded that "military is a public service for which a grant of separate emoluments may be made under Sec. 3 of the Constitution." Three judges dissented on the grounds that the bonus did not serve a public purpose to the extent it was paid to nonresidents.

These three cases, which actually combined a larger number of cases, raised issues and resulted in holdings in addition to those summarized here. Since Kentucky had not previously paid a bonus, it was inevitable that the courts would be called upon to examine the constitutionality of the bonus, and it was not possible to proceed with payment until such constitutionality had been established.

In addition to the bonus cases above, the legality of the Bonus Law was before the federal courts. On April 26, 1960, a special three-judge Federal District Court dismissed a suit to invalidate the bonus. The judges said that the plaintiffs' claim was not an actual present justicable controversy and that a person seeking to strike down a state law as violative of the federal Constitution must show that they are injured by the alleged unconstitutional feature. The judges cited a number of court rulings to this affect. The plaintiffs and their attorney decided not to appeal to the United States Supreme Court, thus withdrawing the last legal obstacle to paying the bonus.

Provisions of the Bonus Act

The Kentucky Veterans Bonus Act was a necessarily complex piece of legislation, since it established to whom the bonus should be paid, how it should be computed, the method of financing, and numerous other matters. Its main provisions are summarized here, together with some of the Attorney General's opinions which were necessary for clarification.

Qualified Veterans and Beneficiaries

Veterans were entitled to the bonus if they served for at least ninety days in the active armed forces of the United States during The Spanish-American War, World War I, World War II, or the Korean Conflict and if they were honorably discharged or were still in the armed forces. The inclusive dates of qualifying service during each war were prescribed by statute, and time spent AWOL or in confinement as a result of Courts Martial were excluded. The ninety-day minimum was waived if the veteran were discharged due to a disability incurred in the line of duty. Certain types of service were excluded by statute, such as civilian employees, Naval or Military Academy cadets, etc.

The veteran must have been a resident of the Commonwealth of Kentucky at the time of entry into service and for six months prior thereto. The original Act also required that the veteran be a resident on November 3, 1959. The Act specified that residence ment "a legal resident as determined by generally established principles of law, as may be defined, and subject to proof, according to such regulations as the Administrator may promulgate."

If a qualified veteran were deceased at the time payment would otherwise have been made, his bonus was to be paid to his widow, child, or children (sharing equally), mother, or father, in that order, and to no other. The law clearly eliminated any other category of beneficiary, according to the Attorney General (OAG 62-202). Each class of beneficiary was defined by law. A widow was one who was the veteran's wife at the time of his death and who had not deserted him, unless there was a separation obtained by the veteran where the wife was not at fault. A remarried widow was disqualified. A child included an adopted child, an illegitimate child if acknowledged in writing by the father before his death or judicially decreed to be his, or a step-child if a member of the veteran's household. A child had to be under eighteen unless he was still in school or was permanently incapable of self support. A child of a veteran who was subsequently adopted by another was ineligible (OAG

62-16). A mother or father included adoptive parents, or persons who last stood in the relationship of a parent for at least one year prior to the veteran's entry into service.

Computation of Bonus

A qualified veteran was entitled to \$9 per month for each month of duty or major fraction thereof, in the Continental United States, not to exceed a total of \$300; and \$15 a month for service outside the Continental United States, not to exceed \$500. These provisions were held to impose a limit of \$300 for domestic service and \$500 for foreign service or combined domestic and foreign service on the maximum bonus paid to any veteran or beneficiary (OAG 60-846). The beneficiary of a person killed on active duty, or who died of service-connected injury sustained during active duty, was entitled to the maximum for foreign or domestic service, regardless of the length of service.

Application and Evidence.

Applications were required to be submitted to the Administrator upon forms prepared by him, and to be accompanied by such evidence as he should prescribe. They had to be verified under oath by the applicant, his guardian or committee, attesting that facts contained in the application were true, and that supporting documents were originals or true copies. He was further required to attest that he had not received a bonus from another state, nor paid anyone to help prepare the application. The filing deadline was originally set at December 1, 1961, but was later extended to June 30, 1962, and finally until December 31, 1962.

The law required that all facts, material to determining whether the claimant was entitled to a bonus, should be evidenced by official records, attested copies, or affidavit. The burden of proof in showing that a bonus should be paid was on the claimant.

Administration

The Adjutant General was named Administrator and was required to make prompt determination that each application was approved or disapproved. If the claim were approved, he was to determine the amount to be paid. The Administrator, in his discretion, was empowered to order a hearing in any case involving unusual circumstances, or where it appeared that documentary evidence could not be obtained, or otherwise. Such hearings were to be conducted by a person designated by the Administrator, who could waive formal procedures and transcripts of hearings.

Board of Review

The Act provided for a nine-member Board of Review appointed by the Governor. Any three members could consider and decide a case. The Administrator was required to notify persons whose claims were disapproved of the reason for disapproval and of their right to review. Applications for review, upon forms furnished by the Administrator, had to be submitted within thirty days after notice of disapproval. When an application for review was received, the Administrator was required to transmit the case record to the Board of Review, which was to consider and decide the case promptly. The decision of the Board was final and there was no statutory right of recourse to the courts on the part of the Administrator or the claimant.

Payment and Tax Lien

The Administrator was directed to certify approved claims to the Commissioner of Finance and the Commissioner of Revenue. The Commissioner of Revenue ascertained whether the claimant was delinquent in the payment of any taxes and, within three working days after receipt of a claim, notified the Commissioner of Finance of any tax delinquency. The Attorney General held that this provision was mandatory upon the Commissioner of Revenue. (OAG 61-203).

If the Commissioner of Finance did not receive notice of tax delinquency, he was to draw a warrant upon the State Treasurer for payment of the bonus. If he received notice of delinquency, he notified the claimant that it was proposed to set off the tax delinquency against the bonus payment; if the claimant did not protest within ten working days, the taxes owed were set off against the bonus, and a warrant was drawn for the remainder of the bonus, if any.

The Act specified that bonus payments were not assignable and were exempt from taxation. The Attorney General subsequently held that payments were subject to garnishment by the Internal Revenue Service (OAG 61-445).

Financial Provisions

The 1958 General Assembly provided that the subsequent legislative session which directed payment of the bonus should also provide for the issuance of bonds to finance the bonus, to be retired by a tax on retail sales. The 1960 General Assembly accordingly provided for the issuance of bonds as part of the Veterans Bonus Act and, in a separate bill, imposed a sales tax.



BONDS TO BE SOLD—Governor Bert Combs signs the necessary authorization for Bonds to be sold to finance the payment of a veterans bonus. On hand were Lt. Governor Wilson W. Wyatt, left and Nettie Glenn, center, secretary to the State Property and Building Commission. The picture was taken on March 16, 1961, just after the last of several suits had been dismissed which had prevented the selling of bonds to finance the bonus.

The Administrator and the Commissioner of Finance were required to prepare periodic estimates of the sums needed to pay the bonus, and to advise the State Property and Buildings Commission of such estimates. This Commission was then directed to issue and sell general obligation bonds, for which the full faith and credit of the Commonwealth was pledged. The Commission was given full power to fix the details of the bond issues, including maturity, interest rates for issue, etc., and could issue temporary bonds prior to the preparation of definitive bonds. Bonds were tax-exempt and all proceeds were to be deposited in a Veterans Bonus Fund, to be used solely for the payment of claims and the expenses of the bond issue.

Other Provisions

Penalties were provided for charging or attempting to charge a fee for assisting a person seeking to obtain a bonus. Exempted from this prohibition were public officers collecting statutory fees for copies of public records, notaries public for administering oaths, and the giving of assistance by veterans' and other organizations through persons paid by such organizations. A penalty was also provided for making false claims or statements for the purpose of obtaining a bonus.

The law directed that it should be interpreted liberally. The Administrator was empowered to promulgate rules and regulations for implementing the Act, which would have the force and effect of law when filed according to statutory provisions.

Few measures have been subject to such extensive legislative and judicial action. In the course of its history, the bonus was acted upon by the electorate, in a referendum; by the General Assembly, in four sessions; and by the Court of Appeals, in three cases. This history involved both delay and uncertainty, but it had the advantage of defining clearly the public, legislative, and judicial approval of the veterans bonus.

III. Administration of the Veterans Bonus

Administration of the Kentucky Veterans Bonus was vested by law in the Adjutant General, who was named ex-officio Administrator. The objective of administration was defined by law: to pay the bonus "as quickly and as free from administrative delay and expense as may be consistent with provident stewardship of public monies." In accordance with this directive, every effort was made to avoid red tape and to hold verification and investigation to a minimum. At the same time, adequate controls were established to ensure that the bonus was paid only to those eligible to receive it, in the amount to which they were entitled.

Preliminary Planning

Legislation providing for payment of the bonus became effective on February 20, 1960. In the same month, the Veterans Division of the Department of Military Affairs was activated by Executive Order of Governor Bert T. Combs to administer the bonus. The Administrator began immediately to develop procedures for processing claims, although no applications could be accepted until June 1, 1960, and no bonds to finance payment could be sold until suits challenging the constitutionality of the bonus were settled. Consequently, as a result of this preliminary preparation and prior planning, it was possible to mail more than 30,000 bonus checks on the first day payment was possible.

Survey of Other States

It was apparent that the experience of other states which had undertaken a veterans' bonus payment could be of value to Kentucky. Inquiries were mailed to twenty-three states which had participated in such a payment, in order to obtain information and suggestions on organization. Two staff members were sent to Pennsylvania and West Virginia, which were then terminating bonus payments, to observe their operations first-hand. Intensive study disclosed a number of procedures which could be effectively adapted to Kentucky. The Veterans Division was able to benefit fully from the experience of these states and to avoid difficulties which might otherwise have arisen.

Original Staff
of the
Veterans Division
1960



Norbert C. Rechtin Director



Arnold Maggard Assistant Director



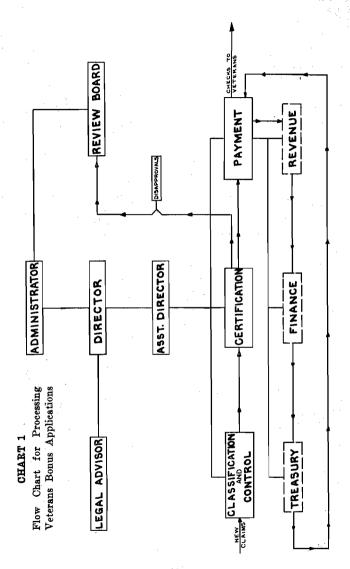
Jack L. Cook Supervisor Certification Branch

PHOTOGRAPH NOT AVAILABLE

Chase Boldt Supervisor Classification Branch



Robert Steely Terrell Supervisor Payment Branch



Administrative Planning

During this same period, work was proceeding on developing forms, procedures, and tables of organization. Conferences were held with army and naval personnel in Washington, D. C., and elsewhere to establish procedures for verifying veterans' records. The staff worked closely with veterans' organizations and other service groups and individuals to train them in assisting claimants to file. A building to house the operation was constructed and equipped. Personnel were recruited and trained. By June 1, 1960, a trained staff of twenty-five persons was at work and procedures had been adopted for the entire program.



FREQUENT CONFERENCES were required to insure that every claim was properly paid. In the Director's office are pictured, left to right, Ben Mann, legal advisor; Colonel S. C. Boldt, Supervisor of the Certification Branch, and Arnold Maggard, Division Director.

Administrative Organization

The initial organization developed for the Veterans Division obtained throughout its operation, with a minor modification when two branches were combined in December, 1960. A flow chart of the Veterans Division is shown on page 28. The names and dates of service of administrative and supervisory personnel are given in Appendix I. The function of each branch is described herein.

Office of the Director

The Office of the Director was established to assume general responsibility for the Division under the Administrator. This Office began operations with a staff of four persons, which increased to a peak of nine during 1961. A legal officer was employed by the Division to assist in technical matters and was attached to the Director's Office. The chief of operations position was never filled; however, the duties were performed by the supervisor of the Certification Branch and later by the Assistant Director.

Classification and Control Branch

The Classification and Control Branch was created in December, 1960, when the Administrative Service Branch and the Classification Branch were combined. The number of personnel in this Branch was ten on June 1, 1960, rose to 55 on January 1, 1962, and had been reduced to one by October, 1962.



MAIL-A-PLENTY — Applications and requests for information arrived by the bag load—sometimes 10 to 15 bags of mail a day.

This Branch received, screened and distributed all mail sent to the Veterans Division. Mail was stamped, sorted and delivered according to whether it concerned a new claim, additional information requested by the Division, requests for application forms, or miscellaneous inquiries. All incoming mail was dated and recorded by this Branch.

Each new claim was assigned a claim number in the order of receipt, in a



space provided on the application. This claim number, and the number and address of the claimant, and the date were entered on a ledger. The application was then placed in a file folder, with the claim number stamped on the tab. The number was also stamped on an acknowledgement card, to be sent to the applicant. The typing section typed the applicant's address, taken from the application, on the acknowledgement card, after checking to assure that the number corresponded with that on the claim. The acknowledgement cards and the claims were passed to the Log Clerk, who logged them in.



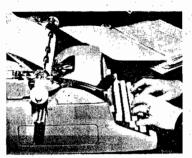
FOR CONTROL — Three 3 x 5 inch control cards were prepared on each veteran's application, providing sufficient information to locate within seconds any one of the 415,000 claims which were received.

A 3" by 5" master control card was prepared in triplicate for each claim. showing the name and address of the claimant, his service and social security and claim numbers. These cards were attached to the application inside the folder. The application folder was then passed to the screening section, where the cards were ex-

amined for completeness and for conformity with the application. If there were no discrepencies, the master control card was filed alphabetically by name of the claimant. One copy was glued to the folder, one copy attached to the application and the claim folder was passed to the Certification Branch.

Loose documents received separate from claims were recorded on a file card, showing the claimant's name and address, and the documents were filed. If acknowledgement cards were returned undelivered, efforts were made to obtain a correct address. Procedures were established for recording changes of address, death of claimants, and other eventualities.

The procedures for processing claims ensured that each one would be promptly recorded, acknowledged, and routed to the proper personnel. Control cards and logs were kept current, and made it possible to answer inquiries quickly and accurately. Screening and cross-checking assured that no claim could be transmitted to



TO THE VETERAN—A page of post cards is typed to acknowledge the receipt of applications and to advise each veteran of their assigned claim number. The post card was mailed the same day the application was received.

the Certification Branch until it had been accurately recorded. The importance of such safeguards is apparent when it is considered that as many as 43,160 claims were processed by the Classification and Control Branch in a single month.

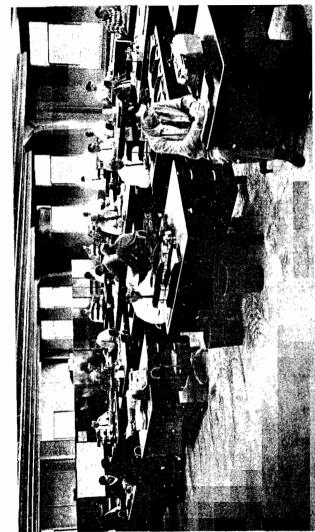
Certification Branch

The function of the Certification Branch was to examine all claims, to request and procure all information necessary to adjudicate claims, to calculate compensable time served, and to

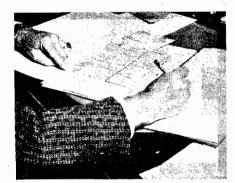
certify claims to the Payment Branch. The Branch was organized into four sections: The Correspondence Section; The World War II Section; The World War I, Korean Conflict and Multiple War Section; and the Beneficiary, Spanish American War, and Disapproval Section. This Branch had a maximum of 75 employees, in January 1962.

The Correspondence Section handled all requests for additional information from the Certification Branch concerning claims. Form letters were developed for most of such correspondence. The Section re-examined all disapproved claims before filing, and filed claims which were being processed within the Branch.

Standard Operating Procedures were adopted for Claims Examiners and other personnel in the different sections. Due to different types of discharges and separations papers, and available records for the different wars, different procedures were required for each of the different wars and for the various services. The examiner checked the veteran's military record, residence prior to entering service, whether he had received a bonus from another state, type of discharge, and other information required to verify a claim. This involved examination of the application form and supporting



documents, and obtaining records from the federal government,



CERTIFICATION—Several Claims Examiners would check each bonus application before it moved on to the next station. The application and information furnished had to be correct and each claim was checked against service records to insure that a bonus was due.

other states, and supplementary information from the applicant as required. To expedite verification of service, Claims Examiners were stationed at the primary Federal Records Centers in Washington, D. C., and St. Louis, Missouri, to handle inquiries from the Certification Branch. Detailed standards were adopted for examining each part of the required information. These stand-

ards are discussed in Part IV of this Report.

- 1. If the regular Claims Examiner determined that the claim was correct, he certified it and transmitted it to a reviewer to reverify the service. The claim was then transmitted to the Payment Branch.
- 2. If the Claims Examiner needed additional information to certify the correctness of the claim, requests for the information were made either to the claimant or to the Federal Records Center.
- 3. If the regular Claims Examiner determined that the claim should be disapproved, it was transmitted to the Disapproved Claims Examiner. The Disapproved Claims Examiner determined if additional information was needed and, if so, requested such data from the applicant. If the Examiner sustained the disapproval, the claim was reviewed by a Section Leader, then the applicant was notified of the reason for disapproval and of this right to appeal.

The Certification Branch computed and set forth on a work sheet the amount of service for which the applicant was entitled to



IN THE PAYMENT BRANCH—The amount due each veteran was computed on the basis of \$9 a month for stateside service, \$15 a month for overseas.

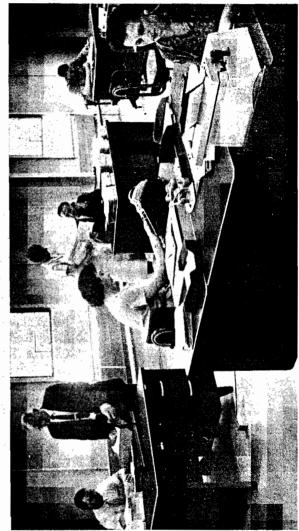
payment. The Payment Branch then computed the amount of the bonus. This Branch had a maximum of thirty employees, in January 1962.

The Payment
Branch calculated
the bonus on the
basis of \$9 per
month for domestic
service and \$15 per
month for foreign
service. This amount
was entered upon
both the master con-

trol card and the application. The eards were then taken from folders, arranged alphabetically in groups of forty, and typed on a youcher of indebtedness, commonly referred to as a batch sheet.

One copy of each batch sheet was sent to the Department of Finance, two copies to the Department of Revenue, and one copy was retained in the Division. The Department of Revenue checked each name for taxes due the Commonwealth. If no tax delinquency was found, the batch-sheets were forwarded to the Department of Finance, which issued payment vouchers and warrants for bonus checks. These were forwarded to the State Treasurer, who prepared and authenticated the checks, then sent copies of the warrants and lists of checks to the Payment Branch, along with the actual checks. The Payment Branch verified the checks for correct address and spelling, then mailed them to the veteran or beneficiary. At the peak of its operations, in May 1961, the Payment Branch mailed 83,744 checks in a single month.

The Payment Branch also handled inquiries from recipients concerning the amount of their bonus. Some recipients questioned the amount of their check, primarily because they were not familiar with the dates of compensatory service. In each case the claim was



beginning only a few persons were needed in the its peak, this branch employed 30 persons.

reviewed and recomputed. The errors in certification and computation proved to be less than thirty-eight hundredths of one percent, which was an extremely low margin of error.

Board of Review

The Bonus Act provided for a nine-member Board of Review, to be appointed by the Governor "without limitation as to political affiliation, religion, race, sex, or past or present service in the armed forces, except that six members of this Board shall be veterans." Members were required to be residents of the Commonwealth. A list of members of the Kentucky Veterans Bonus Board of Review is given in Appendix II.

Any three of these nine members constituted a Board of Review and any two of these could decide a claim. The Chairman was empowered to designate three members to decide each claim, "having due regard for availability for service so that delay may be avoided." Members were paid \$25 per diem for actual time served in considering claims. The Board of Review's decision was final and not subject to reconsideration.

Every person whose claim was disapproved was notified of his or her right to appeal and was furnished a form for this purpose. If a request for appeal was received within thirty days after disapproval, the folder was taken from the disapproved file and forwarded to the Board of Review. After final action by the Board, the file was returned to the permanent records.

Administrative Problems

The Veterans Division was faced with unusually complex administrative problems. It was necessary to initiate and operate a specialized, efficient organization for a temporary purpose; to obtain qualified personnel for a short term of employment; to record and to process claims from thousands of citizens, to minimize errors and delays; and to be prepared to make payments in a number and for an amount of money that could only be estimated. The manner in which this was accomplished is described here.

Personnel

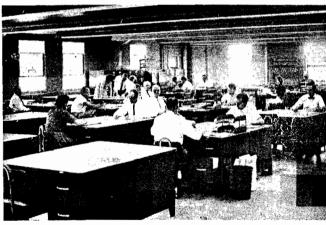
Staffing presented a major problem. Qualified and experienced personnel were understandably reluctant to take temporary jobs, and personnel rules precluded payment of salaries above those of



permanent positions in State government. Employees were told initially that their jobs would be temporary, but every effort was made to secure permanent jobs for outstanding employees when their phase of the bonus operation was concluded.

It was particularly difficult to secure experienced stenographic and clerical personnel, and many of those employed had no previous experience. Claims Examiners were required to have military service and some experience with military records; however, special training of these examiners was necessary because of the complexity of the records involved. Claims Examiners were put through a two-week course and all personnel were trained for their particular positions.

An effort was made to use the most capable persons in each category in the positions of most responsibility. After training, it was found that one typist could average seventy data cards per day. One clerk could file for ten typists, and another clerk could check the work of ten typists. A Claims Examiner could efficiently complete sixty-five claims per day. A senior clerk could compute two hundred claims a day for payment, and another could verify the same number of claims.



THE BEGINNING—During the first month of operation only 25 people were employed to handle the bonus application, but as application workload increased, employment was increased until it reached a peak of 171 in January 1962. This picture was taken in the Certification Branch of the building.

Table I shows the number of personnel in each Branch during the bonus operation, by six-month intervals. The peak of employment was reached in January, 1962, with 171 employees, seventy-five of whom were in the Certification Branch.

TABLE I
Number of Employees of the Veterans Bonus Division

	Start					
	June	Jan.	July	Jan.	June	Jan.
	1960	1961	1961	1962	1962	1963
Office of the Director	. 4	4	9	7	7	3
Classification and Control	. 10	40	50	55	17	3
Certification	. 10	50	67.	75	20	4
Payment	. 1	8	22	30	12	4
Board of Review	. 0	0	4	4	. 1	. 0
TOTAL	. 25	102	152	171	57	14

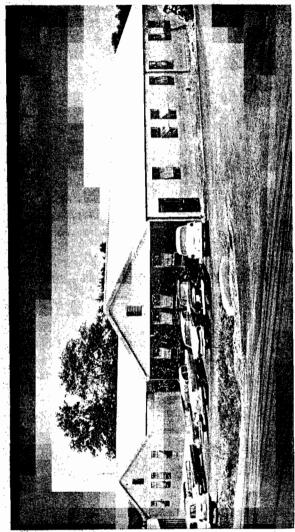
Note: Effective the beginning of new fiscal year on 1 July 1963 the organization was reduced to five employees and all Branch and sectional organizations were discontinued.

Personnel were transferred among the three Branches according to the stage of the total operation and reductions in force were initiated as soon as the workload began to decrease. The first major reduction in personnel took place in February 1962, and by June 1 the Veterans Division had only 57 employees. These policies were a major factor in keeping administrative costs low.

Housing, Equipment and Supplies

An initial problem was that of acquiring working space for the bonus personnel and the Board of Review. The space had to be in or near Frankfort and suitable to the proposed operations. After thorough investigation of various possibilities, it was decided to construct a building for the bonus operation, which could later be converted to meet other needs of the Department of Military Affairs. Construction costs were not appreciably higher than rental of suitable space would have been and the building is now in use for other purposes.

A building with 16,272 square feet of floor space was constructed within the confines of the Boone National Guard Center, at a cost of \$110,207. Construction costs were held to a minimum by erecting two prefabricated steel buildings on concrete slabs and connecting the two 50' x 100' structures with space for rest rooms,



heating plant and stock rooms. A 50' x 100' basement was provided under one building due to terrain features. The building was ready for occupancy in May of 1960. It is now being used by the Department of Military Affairs for war records storage, property and facility operations for the National Guard and Department of Military Affairs.

The historic Arsenal in Frankfort was renovated and equipped at a cost of \$10,000 to provide office space for the Board of Review. The Arsenal, built in 1850, had fallen into disrepair, and the renovation not only provided needed space for the Board of Review, but assured the building's preservation. When the Board of Review

was dissolved, the
Arsenal was turned
over for use by the
Director of Civil
Defense.

All equipment was selected and purchased for maximum economy and for ultimate use by the Department of Military Affairs. A total of 120 desks, 46 work tables, 313 file cabinets and a number of typewriters were purchased for the Veterans Division and the Board of Review. Considerations of economy dictated the equipment selected. For example, almost all typewriters were manual, rather than electric, because of their lower cost and greater suitability



ON FILE—A total of 313 filing cabinets were required to hold the more than 415,000 applications and their related papers which were received by the Veterans Division. Mrs. Mahala Hilton, an employee of the Payment Branch is shown filing a claim.

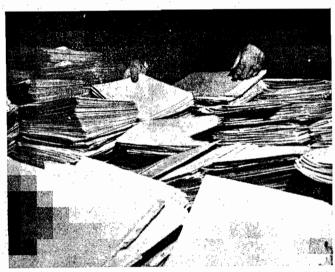
to eventual use by National Guard components. As a result, all of

the equipment is now meeting other State needs now that the bonus operation is terminated.

Regulations and Operating Procedures

The Administrator was empowered to promulgate regulations which would have the force and effect of law. A series of regulations were filed according to law. Drafting these regulations afforded an opportunity to clarify any conflicts, ambiguities, or omissions in the bonus law before the actual process of payment began. Copies were furnished to persons working with the bonus applications to assure consistency of interpretation.

In addition to the official regulations, a written "Standard Operating Procedure" was developed for each step in the bonus operation. These procedures described each step in detail, defined the duties of each staff member, and set procedures for processing and paying claims. Development of standard procedures made uniform administration possible despite personnel turnovers.



PERMANENT FILE FOLDERS—Each veterans application was filed in its own permanent file folder and all related papers, certificates, and correspondence was kept in that folder with the original application.

Records required for verification of claims constituted a considerable volume of information. It was recognized that this information would be of continuing value, not only in connection with questions which might arise regarding the bonus, but also to future operations of the Department of Military Affairs, to historians, and to other persons interested in veterans' research. This information, combined with existing archives of the Department of Military Affairs will give Kentucky one of the most complete sets of records in the Nation on former military personnel.

Plans were made for permanent retention of all claims folders, log books showing the progress of claims, ledger books showing receipts and claim numbers, card files, and standard operating procedures. These will be stored in the War Records Section and made available for reference. In addition, the actual applications and service records will be microfilmed as an additional safeguard. Material of less permanent value, such as check registers and inter-office correspondence, will be destroyed.

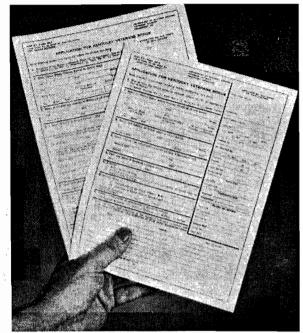
Costs of Administration

A financial statement of the Veterans Division is given in Appendix III. As of July 31, 1963, the total administrative cost was \$1,236,871.79, of which \$26,396.73 was for the Board of Review. This is an average administrative cost of \$2.97 per claim, processed, which is extremely low in view of the problem of administrative and the fact that veterans and beneficiaries of four wars were paid. In Iowa, for example, the average cost per claim was \$3.08.

Of the total administrative cost, 78 percent was for personal services, 13 percent for current operating expenses, and 9 percent for capital outlay. The administrative costs were paid from an appropriation by the General Assembly.

Public Information Program

To assure that all qualified persons would be given opportunity to file for a bonus, and that these claims would be complete and in proper form, considerable attention was devoted to a public information program. The Veterans Division trained more than four hundred service officers of Kentucky veterans' organizations, the American Red Cross, county court clerks and selective service personnel to help veterans complete their applications. Fourteen training schools were held throughout Kentucky, and hundreds of thousands of application forms were distributed to these officials. In



TWO TYPES OF FORMS were used to apply for a bonus. One, for use by veterans, the other for use by beneficiaries of deceased veterans. Forms were widely distributed by county clerks, Red Cross Chapters, veterans' service organizations, or could be obtained by writing the Veterans Division in Frankfort.

addition, approximately twenty leaders representing out-of-state veterans' groups were trained in the proper procedure for completing and filing applications and a member of the Veterans Division met with each such out-of-state group at its request.

The applications and all form letters advised claimants to consult with their veterans field representative, veterans service organization or the American Red Cross, if they needed help in furnishing required information.

In addition to the above mentioned training of such personnel, a direct campaign of public information was undertaken by the Adjutant General and other key personnel. All news media were used, with a special emphasis upon television appearances, to explain proper filing procedures. An instructional pamphlet entitled "Kentucky Veterans Bonus—Who!" was distributed in thousands of copies. This educational program undoubtedly helped assure that all qualified persons were made aware of the opportunity to file for a bonus, and that the number of incorrect and incomplete applications were reduced considerably.

Throughout the entire bonus operation, all inquiries by letter, telephone or otherwise, were answered promptly. This created an additional administrative burden, but enabled any person to ascertain the status of his bonus claim at any time.



VETERANS BONUS PROGRESS AND SYSTEM was explained at the Kentucky State Fair in 1960-1961 and 1962. Above, left, "Judger Green of Frankfort, Ky., stopped by the Veterans Division booth to thank Bonus Director Arnold Maggard, right, for the Veterans Bonus check he had just recently received. Looking on is Don Dixon, assistant supervisor of the Certification Branch. This display was used at the State Fair in September, 1961.

IV. Problems and Policies of Payment

Previous Chapters of this Report have described the law and court decisions under which the bonus was paid, and the administrative structure for processing and paying claims. This part deals in more detail with the major policies involved in applying the law to actual claims. Administration required a number of policy decisions on points of major importance. Regulations were promulgated to define many of these problems, and Attorney General's opinions were obtained to clarify some aspects of the law. In every instance, the Veterans Division attempted to interpret the law liberally, while exerting every effort to prevent fraud or error.

Verification of Service

The bonus was paid for active service during four conflict periods, as defined by law. The veteran was required to list upon the application form the dates of entry into and separation from active duty, and the dates of leaving and returning to the Continental United States. The Veterans Division computed the compensable domestic and overseas service and determined the amount to be paid. Many of the primary administrative problems arose from verification of service.

Conflict Periods

The periods of conflict for which allowance would be made, were set by statute:

The Spanish-American War meant the period beginning April 21, 1898 and ending on July 4, 1902. If the veteran had served with U.S. Forces in the Moro Province, the period was extended to July 15, 1903. The Philippine Insurrection and the Boxer Rebellion were included in this conflict period.

World War I covered the period beginning April 6, 1917 and ending November 11, 1918, or April 1, 1920 in the case of a veteran who served with the U. S. Forces in Russia. Any service between April 6, 1917 and July 1, 1921 was included if some part of the service was between April 6, 1917 and 11 November 1918.

World War II was interpreted to mean the period beginning December 7, 1941, and ending December 31, 1946.

The Korean Conflict was defined as the period beginning June 27, 1950 and ending July 25, 1953, and subsequent service until January 31, 1955, if the veteran qualified for the Korean Medal.

Domestic and Foreign Service

Service within and outside of the Continental United States had to be computed separately as a different rate of payment was established by law for each service. Alaska and Hawaii were considered outside the Continental United States. Service was computed by months, or major fractions thereof. Sixteen days or more of active duty time constituted a major fraction of a month for payment purposes. If eight days or more of the major fraction was served outside the Continental United States, the time was counted as overseas service.

All sea duty was considered as outside the United States, unless shown otherwise on service records. It was found that many Navy veterans were given credit on discharge for sea duty for service such as attending schools. The Veterans Division accepted such definition unless information was available to indicate that the duty was in the United States. This required detailed searching of records.

Discharges

The veteran was required to submit a copy of his discharge or record of separation with his application. In many cases, this did not include adequate information to permit processing, and made necessary an inquiry through the appropriate Federal Records Center. For example, the dates of foreign or sea duty were sometimes omitted. Procedures had to be developed to define the acceptibility of the numerous kinds of discharges which were used in the four conflict periods. If the veteran were claiming service in more than one compensatory period, several discharges might accompany a single application.

Inquiries through the appropriate Federal Records Center were

necessary in 45 percent of claims. Primary Records Centers are located in St. Louis, Missouri and Washington, D. C. The Federal government would not assume responsibility for answering these inquiries, so the Veterans Division employed Federal Records Center Claims Examiners, who were stationed at both localities. Each Examiner was able to verify an average of thirty-five claims a day.

At the time of maximum activity, twelve Examiners were stationed at these Federal Records Centers. A special form was developed to forward inquiries to the Examiners from the Certification Branch. It was often difficult to determine which Center would have the veteran's records, especially if he had served in more than one branch of the service.

Procedures were developed to meet a number of contingencies, to assure proper verification without unnecessary delay. For example, discharges seldom showed lost time and an inquiry was routinely sent to a Records Center if the application showed lost time. Many Spanish-American War veterans did not have discharges, so their applications were accepted without a copy of the discharge and the records of the Adjutant General's Office, were accepted in lieu of the discharge.

Some discharges, which were submitted with claims, were mutilated or altered. Illegible discharges were returned to the applicant and the information was secured from a Records Center. If a discharge was altered, the claim was disapproved and turned over to Federal authorities for investigation. A discharge under less than honorable conditions disqualified the veteran only for that compensatory period which fell within an enlistment terminated by such discharge.

These preceding examples indicate the complexities involved in determining the service for which a bonus would be paid.

Approximately 30 percent of the claims had to be returned to the claimant for additional information. This was due to the claimant's failure to follow the instructions on how to correctly complete the application. In many cases it was necessary to ask both the claimant and the Federal Records Center for additional information.

Residence

Under the original Veterans Bonus Act, the veteran was required to show Kentucky residence at the time of entry into service and on November 3, 1959. The latter requirement was repealed by

Residence at Time of Entry into Service

Residence at the time of entry on active duty was defined by regulation. An official military record was considered proof of residence. If the veteran, however, gave a place other than Kentucky as his residence at the time of entry, but could prove to the Administrator that he was actually a Kentucky resident at the time, such proof would be accepted. The place of enlistment or induction was not necessarily considered a person's residence. The veteran's application was required to show his address at the time of entry, and his residences or actual addresses for six months prior to each entry into the Armed Forces. Further information was not normally required unless the application conflicted with the veteran's service record or other information. For example, additional information was necessary if the records showed that travel pay was issued to a place other than Kentucky upon discharge from service.

The Standard Operating Procedures set guides for verifying residence, at the time of entry and six months prior thereto, except when the veteran had entered more than six months prior to a compensatory period. In the case of veterans who entered service for only one compensatory period and served only for the duration, a discharge showing Kentucky as residence was sufficient proof, if the veteran was a Kentucky resident six months prior to entry, or if he entered more than six months prior to the compensatory period. If he entered during a compensatory period and showed an out-of-state address six months prior to entry, he was required to prove residence by an affidavit. If a veteran had two or more periods of service, some part of which was within a compensatory period, residence had to be established for each entry, unless they were less than ninety days apart.

In some cases, career service veterans had entered from another state but had established legal residence in Kentucky some time after the initial entry. These veterans could use the last entry into service before a compensatory period as the residence at the time of entry, but were required to prove beyond a reasonable doubt that they were Kentucky residents at the time. Service at a military installation in Kentucky did not constitute residence.

Bonus from Another State

A veteran who had received a bonus from another state was disqualified for the Kentucky bonus. The application required the veteran to declare whether a bonus had been received from another state and, if so, what state and for what conflict period or periods. Any bonus, gift, or gratuity, regardless of the amount, disqualified the veteran for a Kentucky bonus for that conflict period. If, however, a veteran had received a bonus from another state for one compensatory period, he could still claim a Kentucky bonus for a different conflict period.

Residence on November 3, 1959

Until the amendment to the Bonus Act became effective on September 30, 1960 the veteran was required to prove residence in Kentucky on November 3, 1959, the date of the bonus referendum. Proof of residence at this time was difficult, because the military record did not, of course, show residence after discharge, and there are many legal definitions of residence. The law provided that residence for this purpose "means a legal resident as determined by generally established principles of law, as may be defined, and subject to proof, according to such regulations as the Administrator may promulgate . . ."

To prove residence, the claimant was required to submit an affidavit signed by a city or county official, or one disinterested person living in Kentucky, or affidavit by the County Court Clerk showing that the veteran was a registered voter in Kentucky on November 3, 1959, or that the veteran was a registered voter or owned property in Kentucky on that date, or any other evidence that would prove residence. Legal residence was generally considered as the place where a person abides, with the intention to return there when absent therefrom, with no intention to move therefrom, and with the intention to remain indefinitely.

An Attorney General's opinion (OAG 60-365) cited a number of court decisions which set rules for determining residence, and noted that the intent of the voter and the failure to establish residence elsewhere were important factors. Residence, once established, is not lost by temporary absence; thus, a veteran could be living outside the State and still be legally a Kentucky resident. Regulations of the Administrator established that a person's absence on business or pleasure, or while in government service, or for reasons of education, health or temporary employment was not incon-

sistent with Kentucky residence if the absence was temporary and limited to the occasion.

Other regulations determined that a minor's residence would be considered the residence of his parents, unless facts indicated otherwise; that residence of a married person would be considered that of his spouse and children, unless otherwise determined; and that mere abode in Kentucky, without an intention to reside, did not constitute residence. While this part of the law was in effect, residence had to be determined on the facts of each application, under the standards set by law, regulation, and standard procedures.

Beneficiaries

If a deceased veteran would have qualified for a bonus, his first surviving beneficiary could claim his bonus. A total of 31,712 claims, in an amount of \$9,808,507, were paid to beneficiaries. If a person was eligible as the beneficiary of more than one veteran, he could file a claim for each. If a person was an eligible veteran and also the beneficiary of a veteran, he could file a claim for himself and as the beneficiary of another. A separate application form was provided for beneficiaries. (AGO Ky Form 36-2)

Order of Priority

The priority of beneficiaries claims to the bonus was defined by law. To assure that this order was followed, the applicant was required to list the names and relationships of the veterans survivors who might be eligible for the bonus. If more than one beneficiary filed, the claims were processed jointly and the one with the first priority was approved, except that the bonus was divided equally among eligible children. If a beneficiary who was not first in line applied, the beneficiary who appeared to be first was notified and given a chance to refute the others claim. If the second beneficiary in line claimed that the first was disqualified, but did not present sufficient proof, the first beneficiary was notified and the case was held until definite proof was established by either claimant. The second beneficiary was paid if he proved clearly that the first was disqualified.

When an applicant failed to list all eligible relatives, he was requested to furnish this information and the claim was not processed further until this information was completed. The claim was not paid until all children were located, except in those cases where it was impossible to locate them; in such instances, the children who could be located were paid their share and the rest of the bonus was held in reserve for the others. The law stated that no person could waive his right to the bonus so that another could receive it.

Proof of Death

The official military, civil, or Veterans Administration record of the veteran's death had to be submitted with a beneficiary's application. If the veteran had died of a service-connected injury, a medical certificate or other acceptable proof of the disability and resulting death was required. If the veteran had been absent from the State for seven successive years, under certain additional circumstances he could be presumed to be dead upon the affidavit of the beneficiary and one other person.

Widow or Widower

In addition to the documentation required for a living veteran's claim, a widow was required to file a copy of the marriage license and an affidavit by a disinterested person that the widow was living with the veteran at the time of his death and had not remarried. The widow must not have remarried prior to the date the application was filed. If the widow was legally separated from the veteran at the time of his death, she was required to file a copy of the court order showing that the fault was that of the veteran. A distinction was made between legal separation and divorce. A divorce disqualified a widow.

A widow who was drawing a Spanish-American pension from the Veterans Administration was not required to file these proofs. If there were no other evidence that the widow had separated from the veteran, her notarized statement that she had not remarried could be accepted in lieu of an affidavit of another person. Common law marriages were recognized, if recognized by the state wherein consummated.

Child

To qualify as beneficiaries, children had to be: under eighteen years of age on the date of applying for the bonus; or under twenty-one years if they were pursuing a course of study at a bona-fide educational institution; or rendered permanently incapable of self-support before becoming eighteen. Each child was required to file

a separate application and proof of the veteran's eligibility, unless the children had a common guardian or committee in which event only one set of proofs was required.

An illegitimate child was required to submit a copy of a court order designating the veteran as the father, effective before the veteran's death, or a notarized or certified acknowledgment signed by the veteran that he was the child's father. An adopted child was required to submit an affidavit signed by a disinterested person that 'the child was a member of the veteran's household at the time of his death. A child who was permanently incapable of self-support had to submit a medical certificate to this effect, stating also that such incapacity existed before the child reached eighteen. A child who was still in school had to submit an official certificate or letter from the school, stating that he was a full-time student or had applied for admission the next regular term. Children over eighteen and under twenty-one years, who were married, were authorized to file a statement that they did not intend to attend a school prior to their twenty-first birthday or the closing date for filing, which enabled the Veterans Division to process and pay the claims of the remaining children. The determining date for consideration of age was date application was filed.

Parents

A natural mother or father was required to submit a copy of the veteran's birth certificate, which showed the parent's relationship. A parent through adoption was required to submit an attested or certified copy of the papers certifying the adoption. A person who stood in Loco Parentis was required to file an affidavit signed by one disinterested person living in Kentucky that the claimant was the last person to stand in the relationship of a mother or a father to the veteran, for at least one year prior to his entry into active service.

If two persons stood in the relationship of a mother, or of a father to the veteran in the year preceding his entry into active duty, the person who last stood in such a relationship was considered the mother or father. To establish that a person stood in Loco Parentis, it had to be shown that: the relationship was established one year before the veteran became eighteen years old and before the veteran married; the veteran was dependent upon the person for physical or financial assistance, or vice versa; the parties resided in the same household. These requirements, however, were considered

on the basis of the individual claim. Any parent who abandoned the duties and personal relationship of a parent forfeited all rights to qualify as a beneficiary for purposes of receiving a bonus.

Incompetents

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If a veteran was mentally incompetent, a court-appointed guardian or committee could apply in his behalf. If the veteran had no such guardian or committee, the person who had the substantial care, custody and control of him could submit his application. The guardian or other person was required to attest to his relationship to the veteran and to the truth of the application. In such cases, the bonus had to be used exclusively for the veteran's benefit.

When an incompetent veteran filed his claim and, later, his guardian or committee filed for him, the claims were united and the guardian or committee paid. If the veteran had already been paid, the claim of the committee had to be denied. In most cases, relatives or friends filed for veterans who were patients at institutions. In other cases, where no relative or friend was available, the service officer at the institution applied, then deposited the bonus in the veteran's account. Such claims usually required that additional information be secured from a Federal Records Center, as the service officer did not have complete information or documentation.

Payment of the Bonus

Even if a claim had been approved, found to be free from tax liability and a check had been prepared and mailed, a number of procedural problems remained.

Death of Veteran Before Payment

The law was interpreted to mean that, if a qualified veteran or beneficiary died before cashing a bonus check, the check must be returned to the Veterans Division, rather than going to the recipient's estate. The first eligible beneficiary could then apply for the bonus. This regulation was supported by an Attorney General's opinion (OAG 60-446).

If an original claim was filed before the final filing date, but the claimant died before receiving the bonus, the question arose as to whether a beneficiary claim could then be filed even if the final date had passed. It was held that the law governed only the date by which the original application must be filed. If the original claimant had qualified, but had died before payment of the bonus, the first surviving beneficiary could revive the application in a reasonable length of time after the final filing date (OAG 61-998).

Lost or Invalid Checks

The Regulations provided that checks which were lost, mutilated, destroyed, had forged signatures, or were invalid because they were not cashed within a year of issue would be reissued by the State Treasurer, upon application of the recipient. In a case where a duplicate check was issued, the Treasurer required that a surety bond be signed before the duplicate check was written. The Attorney General held in this instance that the Treasurer must seek recourse from the payee or from his bondsman if the original check were later found and cashed. (OAG 62-736)

If a check was mailed and stolen before delivery, the case was turned over to Postal authorities. If the theft were proven, a new check was then sent to the claimant.

In a few instances, claimants were overpaid, through their own errors or that of the Veterans Division. A letter was sent advising each claimant of the overpayment and, in most cases, they refunded the amount of overpayment. If he refused to refund the amount, a suit was filed to collect.

Unclaimed Checks

Checks mailed to some veterans were returned unclaimed. Apparently, some claimants had moved to new addresses, without leaving forwarding information, or had died since filing a claim, or had disappeared for other reasons. Every effort was made to locate these persons so that they could receive their checks. Articles in newspapers listed their names and last known addresses. The Veterans Division wrote to officials in the county where the veteran was last known to live and in the county from which he entered service, asking officials to help locate the veteran or his family. Some veterans were located in this manner, but as of August 1, 1963, fourteen checks remained undelivered.

Checks issued by the State Treasurer become non-negotiable after one year from the date of issue. Therefore, a special procedure was instituted whereby a special account was established with the Department of Finance, so that as the claimants are located new checks can be issued and drawn against the account.

Other Payment Problems

If the beneficiary of a bonus was a minor, his check was paid to his guardian or committee in his behalf. If the minor was married, or in the Armed Forces, and had no guardian or committee, the check was paid directly to him, to avoid the expense and effort of requiring him to appoint a guardian for this purpose.

Assignment of bonus payments was prohibited by law. Nevertheless, some veterans completed an application and gave power of attorney to a person to whom they assigned their claim. The check was sent to the veteran, the application being regular on its face, (the Bonus Division not knowing of the assignment) but was cashed by the person exercising the power of attorney.

These payment policies, like other aspects of administration, followed the intent of the law in avoiding expense and administrative delay whenever possible. A liberal interpretation of the law was adopted throughout, within the framework of legal requirements.

V. Action on Bonus Claims

A total of 400,219 claims, in an aggregate amount of \$126,-573,196.00, were paid to veterans and their beneficiaries under the Kentucky Veterans Bonus Act. This chapter presents an analysis of those payments, by type of recipient, by war, and by amount, and gives an account of the final cost of the bonus. More detailed data will be found in the Appendix.

Bonus Claimants

The bonus was paid to eligible veterans or to their surviving beneficiaries, according to a statutory order of priority. It was paid for service in one or more conflict periods, as defined by statute.

Number and Type of Claimants

A total of 415,770 claims for the bonus were considered. If more than one eligible beneficiary submitted an application for the same deceased veterans claim, the applications were given the same claim number and the proceeds divided equally between the beneficiaries. If however, one or more of the beneficiaries were found to be ineligible, separate claim numbers were assigned.

Of the 415,770 claims received by the Veterans Division, 381,956 were submitted by veterans and 33,814 by beneficiaries.

Action on Claims

Of the total of 415,770 claims filed, 398,894, or 95.7 percent were approved by the Veterans Division for payment. Veterans accounted for 367,388 of the claims that were approved, and beneficiaries for 31,506 claims.

The number of claims disapproved are given in Table 2, with the reason for disapproval.

All claimants were notified of their right to appeal if their claim were disapproved, and were furnished a form for this purpose. Only 32.5 percent, or 5,056 claimants, took advantage of this right and brought their case before the Board of Review. The Board of Review upheld the disapproval in 3,731 cases, and reversed the action of the Administrator in 1,325 cases, or 26.2 percent.

Conflict Periods

The largest number of claims were for service in World War II, and the smallest for the Spanish-American War. A total of 2,576

TABLE 2

REASONS FOR DISAPPROVAL OF CLAIMS

- 3,500 Did not enter service from Kentucky
- 872 Less than 90 days service
- 873 Discharge not under honorable conditions
- 1,157 Veterans received a bonus from another state
- 7,888 No service within a compensatory period
- 1,130 Not a beneficiary as defined by law
 - Not the eligible beneficiary as defined by law. (This figure includes: widows who had remarried, children over 18, children who had been adopted, mothers and fathers who did not stand in the parent relationship.)

Total 15,551

payments were approved for Spanish-American War service: 988 of these were to veterans and 1,588 to their beneficiaries. World War I accounted for 50,254 approved claims, 38,536 to veterans and 11,718 to beneficiaries. Approved claims for World War II totalled 253,990, of which 238,409 were paid to veterans and 15,581 to their beneficiaries. A total of 73,854 claims were approved for service during the Korean Conflict, 71,895 of which were to veterans and 1,959 to their beneficiaries. In addition, 18,220 approved claims were for more than one conflict period—17,560 of these were paid to veterans and 660 to their beneficiaries.

Amount of Payments

The bonus was computed by law at the rate of \$9 per month for service within the continental United States, and \$15 per month for overseas service. The maximum payment was \$300 for domestic service and \$500 for overseas service. The beneficiary of a veteran killed on active duty, or who died as the result of a service connected injury, was entitled to the maximum of \$300 or \$500, depending on whether the veteran had overseas service.

Total Payments

A total of \$126,573,196.00 was paid, \$116,764,689.00 to veterans and \$9,808,507.00 to their surviving beneficiaries. Of the total paid to veterans, \$200,425.00 was for Spanish-American War service,

\$6,485,960.00 for service in World War I, \$81,431,278.00 for service in World War II, \$20,109,112,00 for the Korean Conflict and \$8,032,073.00 for multiple wars. Of the total beneficiary payment, \$309,317.00 was for the Spanish-American War, \$2,133,286.00 for World War I, \$6,244,691.00 for World War II, \$750,041.00 for the Korean Conflict, and \$298,131.00 for multiple wars. If these categories are considered together, a total of \$509,742.00 was paid for Spanish-American War, \$8,619,246.00 for World War I, \$87,675,969.00 for World War II, \$20,859,153.00 for the Korean Conflict and \$8,330,204.00 for multiple wars. The breakdown of categories does not include \$403,727.00 paid by the Board of Review and does not include \$175,155.00 issued in supplement payments. As of August 1, 1963, a total of 14 checks, in an aggregate amount of \$3,135.00, remained undelivered.

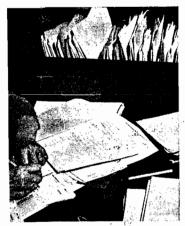
Average Payments

The average veterans bonus paid was \$313.76, or an average of \$316.08 for veterans and \$309.30 for their beneficiaries. The highest average claim was for multiple wars, as this usually involved a longer period of service. The average bonus payment by war was as follows: \$197.88 for the Spanish-American War; \$171.53 for World War I; \$305.82 for World War II; \$282.44 for the Korean Conflict; and \$457.20 for multiple wars. The average beneficiary payment for most conflict periods was higher than the average payment to veterans; for the Spanish-American War, the average veteran payment was \$202.86 and the average beneficiary payment was \$194.12; for World War I, the average was \$168.00 for veterans and \$182.00 for beneficiaries; for World War II, the average amounted to \$342.41 for veterans and \$400.79 for beneficiaries: the average payment for service in the Korean Conflict was \$279.62 for veterans and \$382.87 for beneficiaries; and the average honus paid for multiple wars was \$457.69 for veterans and \$451.71 for their beneficiaries.

Financing the Bonus

To finance the bonus payments and administration, the State Property and Buildings Commission issued bonds, to be paid by revenue from a general retail sales tax. This was in accord with a mandate of the voters as determined by a referendum in the general election in November, 1959. One hundred million dollars worth of bonds were sold on April 29, 1961, with an interest rate of 3.6375 percent. On October 24, 1961 an additional forty million dollars of bonds were sold at a rate of 3.2947 percent. These bonds have a paramount lien on sales tax revenues for the next thirty years, as provided by law, and both principal and interest will be paid from the sales tax.

The total claim payment cost of the Kentucky Veterans Bonus, was \$126,573,196.00. The balance of \$13,426,804.00 between the total bonus claim cost and the total bond issues of \$140,000,000 will revert



BEFORE A CHECK IS WRITTEN—As required by law, the Department of Revenue checked the claim to deduct any delinquent taxes, the veteran might owe the State.

to the Bond Redemption Fund, to redeem the Bond issue.

A portion of the cost of the bonus was offset by the collection of delinquent taxes. The Department of Revenue checked all approved claims for tax delinquency before payment was made. A total of 2,072 veterans and beneficiaries were found to owe taxes to the state, and a total of \$221,805.00 was offset from their bonus claims.



APPENDIX I: Administrative And Supervisory Staff of Veterans Division

Period February to May 1960 Jack L. Cook William Dennis Dan Stafford Kenneth Boone

May 1960 - March 1961

Norbert Rechtin-Director (deceased March 1961)

Arnold Maggard-Assistant Director

Jack L. Cook—Chief of Operations and Supervisor of Certification

Chase Bolt—Supervisor of Classification and Control Branch Steely Terrel—Supervisor of Payment Branch Ben Mann—Legal Advisor

March 1961 - November 1962

Arnold Maggard—Director (Transferred out of Division)

Jack L. Cook—Assistant Director and Chief of Operations

September 1961 to October 1962 on Army Active Duty

Chase Bolt—Supervisor of Classification and Control. After

October 1961 Supervisor of Certification Branch

Steely Terrel—Supervisor of Payment Branch

November 1962

Jack L. Cook—Director (transferred out of Division 1 December 1962)

Don Dixon—Supervisor of Classification and Control and Certification Branch. (These two branches had been consolidated)

Steely Terrel-Supervisor of Payment Branch

Ben Mann-Legal Advisor until June 1962

December 1962 - June 1963

Arnold Maggard—Director (returned to Division December 1962)

Don Dixon—Supervisor of Classification and Control and Certification Branch

Steely Terrel-Supervisor of Payment Branch

APPENDIX II: Board Of Review Members

C. Marshall House-Chairman, Louisville

Jesse C. Moberly-Secretary, Richmond

Robert W. Burchell, Manchester

General Lee McClain, Bardstown

Fred Radford, Hopkinsville

J. Erwin Sanders, Pikeville

Homer Wright, Prestonsburg

H. A. Fitzer, Covington

W. C. Cockrell, Frankfort

APPENDIX III: Administrative Cost Of Veterans Bonus

Veterans Division Expenditure

Personal Services	\$ 961,338.97
Current Operating	168,241.27
Capital Outlay	80,894.82
	\$1,210,475.06

Board of Review Expenditures

Personal Services	\$11,140.71
Current Operating	4,770.93
Capital Outlay	10,485.09
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Total Administrative Expenditures

\$1,236,871.79

Administrative Cost per Claim

\$2.97

APPENDIX IV: Number Of Claims Paid

•	No. of Veterans	No. of Beneficiaries	TOTAL
SAW	988	1,588	2,576
WWI	38,536	11,718	50,254
WWII	238,409	15,581	253,990
KC	71,895	1,959	73,854
MW	17,560	660	18,220
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	367,388	31,506	398,894
Bd, of Review	1,119	202	1,325
	<u> </u>	· · · · · · · · · · · · · · · · · · ·	
	368,507	31,712	400,219

APPENDIX V: Amount Paid By War

	Veterans	Beneficiaries	TOTAL
SAW	\$ 200,425	\$ 309,317	\$ 509,742
wwi	9,485,960	2,133,286	8,619,246
WWII	81,431,278	6,244,691	87,675,969
KC	20,109,112	750,041	20,859,153
MC .	8,032,073	298,131	8,330,204
	\$116,258,848	\$9,735,466	\$125,994,314
Bd of Review	330,686	73,041	403,727
•	\$116,589,53 4	\$9,808,507	\$126,398,041
Suppl. Paymen	ts		175,155
		•	\$126.573.196

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APPENDIX VI: Average Payment By War

	Veterans	Beneficiaries	TOTAL
SAW	\$202.86	\$194.12	\$197.88
wwi	168.00	182.00	171.53
wwii	342.41	400.79	305.82
KC	279.62	382.87	282.82
MW	457.69	451.71	457.20
Average	\$316.08	\$309.30	\$313.76